

# **EXHIBIT AE**

## **[PUBLIC VERSION]**

**Meadors Court Reporting**

C O N F I D E N T I A L

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF WYOMING  
No. 1:22-cv-00125-SW

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DEPOSITION OF CAITLIN LONG  
November 29, 2023

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CUSTODIA BANK, INC.,  
Plaintiff,  
vs.

FEDERAL RESERVE BOARD OF GOVERNORS and FEDERAL  
RESERVE BANK OF KANSAS CITY,  
Defendants.

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**APPEARANCES:**

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Appearing on behalf of Defendant.

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1           A       It depends what you mean by, "speedy like."  
2       Again, Commissioner Forkner knew that there were  
3       multiple states that had uninsured bank charters, and  
4       I recall him telling me they were in the northeast.

5                       Subsequently, as in much more recently, I  
6       did go look at who had those charters and figure out  
7       which states had them. They are special purpose  
8       uninsured charters that have, in the case of the ones  
9       in the northeast, that have been around since the  
10      late 1980s or early 1990s.

11          Q       Those charters don't involve digital assets,  
12      though, right?

13          A       Correct.

14          Q       So here you're submitting a request for a  
15      master account as an uninsured entity, folks on  
16      digital assets --

17          A       Yes.

18          Q       -- right? As of October of -- November  
19      2020, were you aware of any uninsured entity with a  
20      business model focused on digital assets that had a  
21      master account?

22          A       I was not aware of any. I do know now there  
23      are 442 uninsured fed master account holders. That's  
24      publicly disclosed in the feds August database  
25      update.

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1 A No. It was by Zoom.

2 Q And how long did it last?

3 A An hour.

4 Q And who was the principal speaker on behalf  
5 of Custodia?

6 A I was.

7 Q Did anyone else speak on behalf of  
8 Custodia?

9 A Derek Bush, and I'm not sure who else, but  
10 the management team would have been on.

11 Q Who were the primary speakers on behalf of  
12 the board?

13 A Mark. It was Mark's meeting.

14 Q So Mark Van Der Weide was the primary  
15 speaker?

16 A Yes.

17 Q AND did you walk through this -- at that  
18 time, where did Custodia's application for membership  
19 stand?

20 A We had not applied yet.

21 Q Was that a subject of discussion at the  
22 meeting, membership?

23 A No. Actually, what happened is I made the  
24 comment that it was on our road map to apply for fed  
25 membership, but my understanding based on advice we'd

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1 received is that the fed does not want de novos to  
2 become member banks until the banks had been  
3 operating for a while and the kinks were worked out.

4 That prompted a call from Mark Van Der Weide  
5 to Derek Bush right after the meeting to correct what  
6 I had said, that the fed would welcome that, and  
7 Derek and Mark spoke, and Derek's interpretation was,  
8 "Mark is recommending that you apply for fed  
9 membership, so let's do it."

10 Q Do you recall whether the subject of  
11 membership came up in this meeting that you had, the  
12 Zoom meeting that you had with the board?

13 A It definitely did because Mark made the  
14 phone call on the basis of something I said, and I'm  
15 just looking here to see if it's mentioned in the  
16 slides or what the context was that would have  
17 prompted Mark to make that phone call to Derek right  
18 afterwards. Nothing's jumping out at me, but  
19 obviously, I did say something because he called to  
20 correct, and Derek's interpretation of that was Mark  
21 wants us to apply to become a member bank now instead  
22 of waiting, and we did.

23 Q Did you ask at that meeting -- did Custodia  
24 ask at that meeting whether a decision on Custodia's  
25 master account in the hands of the Board of

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1           Q     Were those digital assets products and  
2     services, though, were essential to Custodia's  
3     profitability as a business, right?

4           A     Ultimately, yes. And here's the disconnect.  
5     Wyoming Division of Banking looked at us as a true de  
6     novo that was staging over a three-year period  
7     product launches. The Kansas City Fed, contrary to  
8     what Mark Van Der Weide told us, did not want a de  
9     novo bank to be applying for membership because the  
10    hurdle against which we were measured in the exam was  
11    a bank that was fully operating with no ramp-up  
12    period.

13          Q     Is it your testimony that it was improper  
14    for Ross Crouch to include in this exam risk  
15    management associated with digital asset products and  
16    services that were not going to be rolled out on day  
17    one?

18          A     It was inconsistent with the feds own SR, I  
19    believe it was 2016, that makes reference to de novo  
20    banks, and that's what Mark Van Der Weide had pointed  
21    Derek Bush back to when he corrected my statement  
22    about the fed not wanting de novo banks to apply for  
23    membership until they've been operating for a while,  
24    and he pointed to the fact that the fed had this  
25    statement for de novo banks, but it was obvious that

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1 the Kansas City Fed did not want a de novo bank to  
2 apply for membership because the hurdle that it set  
3 for us was so high.

4 And to give you an example, the entire  
5 banking industry in the State of Wyoming has roughly  
6 seven billion dollars in assets, and we as a de novo  
7 bank were measured against a \$50 billion complex bank  
8 standard.

9 Q You're, at this time, telling the fed that  
10 you're going to launch with a narrow group of  
11 products and services which will have Custodia  
12 running at a loss, right?

13 A Yes.

14 Q Custodia would not be profitable?

15 A That's normal for de novo banks.

16 Q What's your basis for saying it's normal for  
17 de novo banks?

18 A Every bank before it launches has to spend  
19 the money on the banking core, has to put the risk  
20 management systems in place, has to put the financial  
21 management systems in place.

22 It's the nature of a de novo that you have  
23 to spend money before you generate your first dollar  
24 of revenue.

25 Q And for Custodia, profitability would be